

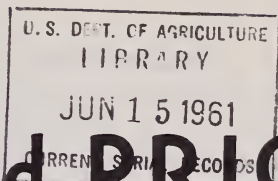
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The

DEMAND and PRICE SITUATION

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March 1961
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Approved by the Outlook and Situation Board, March 23, 1961

SUMMARY

Cash receipts from farm marketings in the first two months of 1961 were about a tenth higher than a year ago; farm product prices averaged $4\frac{1}{2}$ percent higher. The big improvement in prices was among livestock and livestock products, which averaged about 9 percent higher, mostly because of sharp increases in hog and egg prices. Marketings of cattle were up, but prices were close to a year earlier. Although crop prices have moved up some in recent months, they were close to year-earlier levels in January-February. Cash receipts from crop marketings in January-February were up about a sixth, due mainly to a much higher volume of marketings.

An emergency 1-year feed grain program was signed into law by the President on March 22. Farmers, in order to be eligible for support on any of the feed grains from 1961 production, must reduce their corn and grain sorghum acreage by at least 20 percent from their average acreage of 1959 and 1960. Cooperating producers also will be eligible for support on barley, oats, and rye at the announced levels. The Secretary of Agriculture announced feed grain supports for 1961 crops as follows: Corn, \$1.20 per bushel; barley, 93 cents per bushel; grain sorghums, \$1.93 per hundredweight; oats, 62 cents per bushel; rye, \$1.02 per bushel (for additional detail see page 20). In addition, supports for 1961-crop oilseeds were set at \$2.30 per bushel for soybeans, \$2.80 per bushel for flaxseed, and \$49.00 per ton (loan rate) for cottonseed. Previously, the Secretary of Agriculture announced increases in support prices for cotton, dairy products, rice, peanuts, and gum naval stores.

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Growth Through Agricultural Progress

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UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1960				1961	
		Year	Feb.	Nov.	Dec.	Jan.	Feb.
Industrial production, seasonally adj. <u>1/</u>	1957=100	108	110	105	103	102	102
Final products	do.	111	110	109	108	107	107
Consumer goods	do.	115	113	113	112	111	110
Autos	do.	117	125	109	97	78	73
Equipment, including defense	do.	103	102	102	101	100	100
Materials	do.	106	109	101	99	98	98
Construction: <u>2/ 3/</u>							
Total outlays	Mil. dol.	55,173	54,339	55,430	56,135	54,835	54,433
Public construction	Mil. dol.	16,244	15,180	16,849	17,537	16,951	17,102
Private residential	Mil. dol.	22,024	22,536	21,428	21,490	20,432	19,845
Housing starts	Thousands	1,240	1,367	1,212	970	1,049	1,100
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	30,417	31,580	29,250	29,140	28,590	
Durable goods	Mil. dol.	14,692	15,670	13,810	13,620	13,260	
Unfilled orders-sales ratio <u>4/</u>		3.17	2.99	3.13	3.15	3.21	
Inventory-sales ratio, total <u>5/</u>		1.79	1.71	1.85	1.84	1.87	
Durable goods		2.15	1.99	2.25	2.26	2.31	
Employment and wages: <u>6/</u>							
Total civilian employment	Millions	66.7	64.5	67.2	66.0	64.5	64.7
Nonagricultural	do.	60.7	59.9	61.5	61.1	59.8	59.9
Unemployment	do.	3.9	3.9	4.0	4.5	5.4	5.7
Workweek in manufacturing	Hours	39.7	39.8	39.2	38.8	38.8	38.8
Hourly earnings in manufacturing	Dollars	2.29	2.29	2.30	2.32	2.32	2.32
Income and spending:							
Personal income <u>2/ 3/</u>	Bil. dol.	404.2	395.7	409.0	406.9	406.6	405.9
Consumer credit outstanding <u>1/</u>	Mil. dol.	56,050	51,468	54,626	56,049	55,021	
Automobile	Mil. dol.	17,925	16,519	17,957	17,866	17,611	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	18,319	18,100	18,400	17,977	17,675	17,821
Durable goods	Mil. dol.	5,928	6,040	5,938	5,561	5,430	5,457
Inventory-sales ratio <u>5/</u>		1.39	1.37	1.33	1.42	1.42	
Prices: <u>6/</u>							
Wholesale prices, all commodities	1947-49=100	120	119	120	120	120	120
Commodities other than farm and food	do.	128	129	128	128	128	128
Farm products	do.	89	87	90	89	90	90
Foods processed	do.	108	106	109	109	110	110
Consumer price index, all items	do.	126	126	127	128	127	
Food	do.	120	117	121	121	121	
Prices received by farmers <u>7/</u>	1910-14=100	238	233	241	242	241	244
Crops	do.	221	218	218	217	218	221
Livestock and products	do.	252	245	261	263	261	263
Prices paid, interest, taxes and wage rates <u>7/</u>	1910-14=100	299	299	297	298	301	302
Family living items	do.	290	289	291	291	291	291
Production items	do.	264	266	262	265	267	267
Parity ratio <u>7/</u>		80	78	81	81	80	81
Farm income and marketings: <u>7/</u>							
Volume of farm marketings	1947-49=100	132	100	172	143	143	104
Cash receipts from farm marketings	Mil. dol.	33,746	2,059	3,712	3,121	3,065	2,300

Annual data for most of these items for years 1929, 1939, 1941, and 1946-59 appear on page 40 of the April 1960 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.

4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month, divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture, Agricultural Marketing Service.

 T H E D E M A N D A N D P R I C E S I T U A T I O N

Approved by the Outlook and Situation Board, March 23, 1961

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Planting intentions on March 1 indicate about the same acreage devoted to all crops in 1961 as in 1960. Since the intentions were reported before enactment of the feed grain program, growers' early season plans may be subject to greater than usual changes this year. Feed grain plantings were expected to total 149 million acres, 1 percent less than in 1960. Corn and barley were expected to be down slightly, with sorghum grains down nearly a million acres. With improved price prospects, acreage planted to soybeans is expected to rise 2.2 million acres. Sugar beet acreages are expected to be up 11 percent. Other crops showing increases are oats, tobacco, dry peas and potatoes, smaller acreages are intended for spring wheat, flaxseed, peanuts and hay crops.

The current moderate decline in plant and equipment spending by business may be nearing the end, according to the recent survey conducted by the Securities and Exchange Commission and the Department of Commerce. A cutback of 4 percent in capital spending in the first half of 1961 from the last quarter of 1960 is indicated. In the last half of 1961, businessmen are planning to increase their spending rate slightly, particularly for electric and gas utility programs.

Severe winter weather contributed to the declining trends in economic activity during much of February. Since late February economic activity has improved some; dealer sales of new automobiles picked up, department store sales rebounded, and steel production edged higher. Retail sales were slightly higher in February than January. Manufacturers' new orders were slow and stock

reductions continued. Industrial production was the same in January and February, but sharp downward adjustments were made in auto production schedules in order to work down heavy stocks. Unemployment rose to 5.7 million in February compared with 3.4 million a year ago. The seasonally adjusted unemployment rate in February, at 6.8 percent, however, showed little change from the previous two months. Personal income in February was at an annual rate of \$405.9 billion, slightly below January, but $2\frac{1}{2}$ percent above a year ago. The gold outflow declined in February and no sales were reported in early March. During the first months of 1961 the U. S. balance of payments improved considerably from the final quarter of 1960.

Commodity Highlights

Relatively stable cattle and hog prices are likely this spring. Cattle marketings are above a year ago and will probably continue to do so during the next few months. Hog marketings are declining seasonally and will continue below 1960 levels; prices are well above a year ago.

Higher price supports for manufacturing milk and butterfat in 1961-62 than in 1960-61 will mean higher farm product prices. Effective March 10, support prices for manufacturing milk were increased from \$3.22 per hundredweight to \$3.40 per hundredweight, and for butterfat from 59.6 cents per pound to 60.4 cents per pound. With milk production expected to increase, income to dairy farmers is also likely to rise.

Egg production will likely remain below 1960 levels during the first half of 1961, after which it will rise above year ago output. January-March chick hatchings are estimated 29 percent above a year ago. Wholesale egg prices in March were higher than those a year ago but by a narrower margin than in the last 5 to 6 months. Egg prices in the second quarter are likely to be below April-June 1960.

Food fat prices have advanced over 35 percent between October 1, 1960 and mid-March. Cottonseed and soybean oil prices are up the most, followed closely by lard. Food fat supplies are slightly smaller than a year earlier. With record export and domestic demand, carryover stocks at the end of the marketing year likely will be smallest since 1957.

Feed grain prices were relatively stable in March after advancing 12 percent since November. Generally favorable returns for livestock are improving the demand for feed grains and protein feed.

Remaining supplies of Florida oranges are somewhat below a year ago; and prices are much above. The early spring crop of strawberries is expected to be nearly a fourth larger than the 1960 crop, with peak movement in late March.

Supplies of a number of tender fresh vegetables, including snap beans, cucumbers, eggplant, green peppers and tomatoes, are much larger than they were last winter. Despite smaller supplies of some of the hardier vegetables, overall prices are significantly below the relatively high levels of a year earlier. Supplies of potatoes during the next few months will remain slightly to moderately above a year earlier and prices during the next 6 to 8 weeks likely will remain below a year earlier.

The price support for the 1961 crop of upland cotton has been announced at a minimum of 33.04 cents a pound for Middling 1-inch cotton at average location. This compares with the 1960 crop support rates of 32.42 cents per pound for Choice A and 26.63 cents per pound for Choice B cotton.

Domestic shorn and pulled wool production in 1960 totaled 300 million pounds, up 2 percent from 1959. Shorn wool production in 1961 is expected to be about the same as in 1960.

Auction prices for 1960 crops of several kinds of tobacco were at record or near record levels. Prospective 1961 acreage of flue-cured is the same as last year's but that of burley is larger, reflecting a 6 percent increase in allotments.

GENERAL BUSINESS CONDITIONS

Severe winter weather east of the Rockies in part contributed to the poor economic performance during most of February. Some improvement in late February and early March was associated mostly with a somewhat firmer level of steel production and rising department store and auto sales. Overall, the level of industrial production in February was the same as in January and 7 percent below a year ago. Changes in employment and unemployment during February were about seasonal. Manufacturers' new orders declined in January, but leveled out in February. Liquidation of inventories, largely at retail, continued. Capital spending by business is expected to decline in the first and second quarter of 1961; residential construction activity improved a little from December lows.

Capital Spending Declines:

Pick-up Expected After Mid-year

Capital expenditures by U. S. industry on new plant and equipment during 1961 are expected to total \$34.5 billion, 3 percent less than in 1960, according to a survey conducted jointly in late January and February by the Securities and Exchange Commission and the U. S. Department of Commerce.

The decline in investment, which began in the third quarter of 1960, is expected to continue through the second quarter of 1961. For the second half of 1961 expenditures at a rate of \$35 billion will compare with the \$34 billion rate anticipated for the first 6 months. If the decline does end at mid-year the downturn would have lasted four quarters--same as the capital equipment slumps of 1948-49 and 1957-58. The 1954-55 capital equipment contraction--heavily

influenced by post-Korean readjustments--lasted six quarters. At the anticipated rate of expenditures during the second quarter of 1961, \$33.8 billion or 7 percent below the 1960 high, the current decline will be the most moderate of the four postwar cycles. Previous troughs were 20, 11, and 22 percent, respectively below their antecedent peaks. Moreover, capital goods prices have been relatively stable during the current period of decline, with no change during the past 3 months, while the increase in construction costs has been far below that experienced during previous postwar slumps.

The rise in the most recent investment expansion was also more moderate than during previous periods of growth. After seven quarters of rise, total outlays remained 4 percent below the previous peak. During each of the two previous periods of expansion, lasting fifteen and ten quarters, respectively, the dollar value of outlays rose 62 and 47 percent and topped out at about 30 percent over the previous high. But in real terms the increases were much smaller, whereas in the 1958-60 expansion the growth in volume corresponded more closely to the dollar value of outlays.

1960 Outlays 10 Percent
Above 1959

Final figures for 1960 indicate that outlays for business fixed investment were about 10 percent above 1959. Among the sharpest of the 1960 gains were those in the cyclically sensitive manufacturing industries: Primary iron and steel, motor vehicles, and chemical and allied industries increased their outlays over 1959 by 54, 39, and 30 percent, respectively. The total increase in outlays by manufacturers over 1959 was \$2 $\frac{1}{2}$ billion, or 20 percent, with most durable and nondurable groups participating in the increase. The relative advance for communications and railroads was also substantial. Only two categories exceeded their 1957 totals: The commercial group continued its steady advance; investment in the nonrail transportation group had peaked out in 1959 with conversion of major airlines to jets, but investment outlays in 1960 were only slightly lower.

Capital Spending
in 1961

Planned expenditures by businessmen as of the opening months of 1961 generally follow the pattern set during late 1960. Outlays peaked at midyear in durable manufacturing, railroads, and other transportation, and the subsequent decline is expected to continue in 1961. Iron and steel companies which expect to curtail outlays by 25 percent in 1961, will account for much of the decline in durable goods. Stone, glass, clay, and fabricated metal product firms are also scheduling relatively large decreases. Automobile companies, however, are planning to increase outlays by about 15 percent. Makers of non-durables and public utilities, which had maintained their earlier rate of investment during the second half of 1960, plan to register further gains in 1961, except for paper and textile companies. The sharpest reduction in outlays is scheduled by railroads; declines in purchases of new equipment will bring outlays to the lowest level in 15 years. Expenditures by trucking firms also are

Table 1.--Postwar cycles in plant and equipment expenditures, quarterly totals at seasonally adjusted annual rates, 1948-61

Quarter and year	Total expenditures		Change in expenditures from previous	
	Peak	Trough	Peak	Trough
	<u>Billion dollars</u>	<u>Billion dollars</u>	<u>Percent</u>	<u>Percent</u>
IV 1948	22.3		<u>3/</u>	<u>3/</u>
IV 1949		17.8	-20.0	<u>3/</u>
III 1953	28.8		29.5	61.8
I 1955		25.7	-11.0	44.0
III 1957	37.8		31.0	47.2
III 1958		29.6	-21.6	15.4
II 1960	36.3		- 3.8	22.6
II 1961 <u>4/</u>		33.8	- 6.9	14.2
	Duration from previous		Change in costs from previous period	
	Peak	Trough	Capital goods	Construction <u>2/</u>
	<u>Quarters</u>	<u>Quarters</u>	<u>Percent</u>	<u>Percent</u>
IV 1948		<u>3/</u>	<u>3/</u>	<u>3/</u>
IV 1949	4		4.7	
III 1953		15	17.3	27.0
I 1955	6		1.7	5.6
III 1957		10	16.7	14.2
III 1958	4		2.0	4.5
II 1960		7	2.5	6.2
II 1961 <u>4/</u>	4		<u>5/</u> .3	<u>5/</u> 1.0

1/ BLS wholesale price index for producer finished goods.

2/ Engineering News Record index of construction costs.

3/ Sustained postwar rise not considered cyclical.

4/ Estimate by SEC and Department of Commerce based on a survey in January-February 1961.

5/ Through January 1961.

expected to contract sharply and more than offset increases by airlines and the pipeline industry. Outlays by the commercial and other groups (including trade, service, finance, and construction) which had acted contra-cyclically to the general investment cycles of the 1950's are also expected to decline during 1961. The decline will result from lower spending by retail trade firms which may reflect, in part, the previous decline in construction of new housing subdivisions. Prospective capital outlays of mining companies remain at the relatively low rate of the past few years.

Factors Influencing Spending

While certain investment programs represent long-range planning by management or are a corollary to the growth of research expenditures, appropriations and expenditures by corporations for capital expenditures are influenced by financial and demand factors. These include profit rates and total cash flow, current and anticipated demand in relation to capacity, and interest rates and other investment costs. Management decisions are based on the combined effect of these factors. In the past year for instance, reduced demand and profits in certain industries appear to have spurred investment in cost-cutting equipment even though financial conditions for such outlays may not have been favorable. Modernization, also influenced by foreign competition here and abroad, was reflected in the relatively high ratio of equipment outlays to new plant construction.

Actual investment in 1960 was about 4 percent less than planned at the beginning of the year, as nonrail transportation companies spent 10 percent less than anticipated and durable goods manufacturers and public utilities lowered their outlays by 6 percent. Reduced earnings in the latter part of 1960 brought about further downward revisions for early 1961 in the planned expenditures of durable goods and commercial firms, while the reverse situation raised planned outlays by public utilities.

While official data for all of 1960 are not yet available, corporate reports indicate that despite higher production and sales in 1960, profits in most manufacturing industries were limited by a cost-price squeeze. For the first 3 quarters of 1960, the Federal Trade Commission-Securities and Exchange Commission reported an overall reduction of 6 percent in the net income of manufacturing corporations, compared with a year earlier. The decline was even more pronounced in relation to sales. The least favorable comparison was in durable goods. However, a survey of corporate reports by the First National City Bank of New York indicates that overall profits of all industries during 1960 were probably fairly close to 1959, reflecting the continued sales expansion of public utilities and further recovery of the petroleum industry from its heavy set-back in 1958. Financial institutions, mining companies and firms in the amusement and service fields have also reported better earnings, while profits were somewhat lower in trade and sharply lower in air and rail transportation. Results in manufacturing would have been even less favorable without the strong export demand and increasing earnings from foreign affiliates.

For most manufacturing companies declining profits contrasted with continued high dividend payments. The FTC-SEC reported that in the first 3 quarters of 1960, profits, after taxes, were \$815 million below a year earlier, while dividends rose more than \$400 million. However, the decline in retained earnings was partly offset by the continuing rise in depreciation, depletion and amortization allowances. The combined total in the first 3 quarters of 1960 at \$13.8 billion was 6 percent below a year earlier. Since in recent years internal sources of financing have accounted for as much as 80 percent of corporate financing, the level of retained earnings and depreciation is an important determinant of corporate expansion. The lower rate of accumulation through September 1960 had less effect than usual on business expenditures, however, as liquid assets released from financing inventories were used extensively.

Industrial Construction and Machine Tool Orders Lag

Reflecting the reduced trend of appropriations for new plants, awards for private industrial building, which had shown an overall 7 percent decline between 1959 and 1960, are expected to decline another 10 percent in 1961. On the other hand, the outlook is for continued strength in commercial building. Contracts for this type of construction increased 17 percent in 1960 over 1959, which also showed a 25 percent gain in 1959.

For all of 1961, a McGraw-Hill survey found that new orders for machinery are expected to average 2 percent below last year. In January, machine tool orders for metal cutting equipment were 26 percent below December and 19 percent below a year ago. Domestic orders were the lowest since November 1958. On the other hand, orders for forming tools, used to press and shape metal into products, did increase significantly. Due in large part to replacement programs in the automobile industry, such orders in January were 74 percent above December 1960 and 55 percent above a year earlier.

Construction Activity Dips

Residential construction outlays continued to lag in early 1961, though new nonfarm starts picked up from the low annual rate in December. The downtrend in new housing starts has continued since the spring quarter of 1959, when starts on an annual rate basis totaled 1,596,000 units. In the first quarter of 1960 private starts were at an annual rate of 1,282,000; by December they were down to 970,000 units. Starts recovered in January and in February were at an annual rate of 1,100,000, about 14 percent below the first quarter of 1960. Applications for FHA commitments and requests for VA appraisals also showed a declining trend since early 1959, and in January-February totaled 52,500 units compared with 61,500 units a year ago.

The recent reduction in FHA and VA maximum allowable interest rates from 5 3/4 to 5 1/2 percent, along with easier credit conditions since mid-1960, have improved mortgage terms to borrowers and should strengthen the volume of starts this year. Other factors which will tend to hold down the level of

starts are the high level of vacancies, particularly among rental units, recent lower income of consumers and rising costs of new homes, which in 1960 were up 3 percent from 1959. In January and February the new nonfarm residential construction put in place, which follows starts, was at an annual rate of \$20.1 billion, 12 percent below a year ago.

The other types of private construction have risen moderately since early 1960. In January-February these were at an annual rate of \$17.4 billion compared to \$17.0 billion a year earlier, due mostly to increases in the industrial and commercial categories. Public construction at an annual rate of \$17 billion in January-February, was up about \$2 billion or 14 percent from early 1960. Largest gains were for increases for highways and schools, but practically all groups were up substantial amounts.

Government Purchases Higher

Government purchases of goods and services in the final quarter of 1960 were at an annual rate of \$102.1 billion, \$5.7 billion above a year earlier. Most of the rise, nearly \$5 billion, represented increased spending by State and local Governments. Federal purchases eased off in the first half of 1960 but picked up in the last half, led by higher national defense programs. Inventories and loans held by CCC under the price support program were about the same in 1960 as in 1959. Expansion of expenditures for civilian aviation facilities and higher Federal salary rates increased "other" purchases between late 1959 and 1960. The Budget submitted last January implies further increases in Federal purchases through mid-1962.

Manufacturers' New Orders Level Out

Manufacturers' new orders declined slightly in January, but those of durable goods firms picked up in February, mainly reflecting some improvement in steel, and a leveling out of autos after the sharp drop in January. At the end of January, the book value of manufacturing and trade inventories, seasonally adjusted, totaled \$91.9 billion, \$400 million below December. The liquidation of stocks was mainly in autos at retail; manufacturing inventories were down \$100 million in contrast to \$400 million the previous month. The slight improvement in new orders of some industries and a pickup in auto dealer sales from the depressed levels of late January and early February, along with some slackening in the rate of liquidation of manufacturing stocks, helped level out industrial production.

Industrial Production Level

The Federal Reserve Board's index of industrial production was the same in January and February at 102 (1957=100), but 7 percent below a year ago. Durable and nondurable goods output in manufacturing in February were the same as January, but 13 and 1½ percent, respectively, below February 1960.

Table 2.--Government purchases of goods and services, by quarters, 1959 and 1960, seasonally adjusted at annual rates

Item	1959	1960			
	IV	I	II	III	IV
	Billion dollars	Billion dollars	Billion dollars	Billion dollars	Billion dollars
Federal purchases :	52.5	51.8	51.7	52.7	53.3
National defense :	45.5	44.9	44.7	45.1	45.7
Other :	7.5	7.5	7.6	8.2	8.2
State and local :	43.9	45.7	46.9	48.0	48.8
Total :	96.4	97.5	98.6	100.7	102.1
Department of Commerce.					

Production of consumer goods at 110 percent of the 1957 average was about the same as in January. Production of autos in February was about 40 percent below a year ago, and for the first quarter it is likely to be about 1.2 million units compared with the 2.0 million for the first quarter in 1960. Production of other consumer durable goods and apparel dipped in February. Production of business equipment and of materials was unchanged.

Unemployment Up

The civilian labor force in January-February was about $1\frac{1}{2}$ million above a year ago, but civilian employment was up only about 300,000. Since mid-1960 employment, seasonally adjusted, has declined about a half million, all of it in the nonagricultural sector, a big share being concentrated in manufacturing. State and local Government and service were the only major groups in which employment rose in the last half of 1960.

Unemployment reached 5.7 million in February, the highest level since the summer of 1941. However, the seasonally adjusted rate of unemployment at 6.8 percent was about the same as in the two preceding months but substantially above the 4.8 percent of a year earlier. Persons placed on part-time because of production cutbacks increased in number to 1.7 million, up from 1.1 million a year earlier. There also were increases in numbers of long-time unemployed (15 weeks and over), and in the number of workers who had exhausted their unemployment benefits. The factory workweek, seasonally adjusted at 39 hours in February, was about the same as January, but 1 hour below February 1960. Average hourly earnings of manufacturing workers at \$2.32 were three cents above a year ago. Because of the decline in the work week, average weekly earnings, at \$90.02, were \$1.12 below a year ago.

Table 3.--Manufacturers' new orders, sales, manufacturing and trade inventories and production for selected periods, 1960-1961

Item	Unit	1960				1961	
		May <u>1/</u>	Oct.	Nov.	Dec.	Jan.	Feb.
Manufacturers' new orders	:Bil.dol.:	30.5	29.2	29.0	28.7	28.4	n.a.
Durable	:Bil.dol.:	14.7	13.7	13.6	13.2	13.0	13.3
Nondurable	:Bil.dol.:	15.8	15.5	15.4	15.5	15.4	n.a.
Manufacturers' sales	:Bil.dol.:	31.0	29.6	29.2	29.1	28.6	n.a.
Durable	:Bil.dol.:	15.1	14.1	13.8	13.6	13.3	13.4
Nondurable	:Bil.dol.:	15.9	15.5	15.4	15.5	15.3	n.a.
Manufacturers' and trade inventories	:Bil.dol.:	93.2	93.0	92.7	92.3	91.9	n.a.
Durable	:Bil.dol.:	50.8	50.2	49.9	49.5	49.0	n.a.
Nondurable	:Bil.dol.:	42.5	42.8	42.8	42.8	42.9	n.a.
Industrial production	:1957=100:	109.8	106.3	104.6	103.2	102.1	102
Consumer goods	:1957=100:	116.5	114.7	112.9	112.1	110.5	110
Equipment	:1957=100:	104.1	102.7	101.7	100.7	99.5	100
Materials	:1957=100:	107.3	102.9	101.2	99.3	98.0	98

1/ Peak of 1958-60 business cycle.

n.a. Not Available.

Department of Commerce and Board of Governors of the Federal Reserve System.

month but $2\frac{1}{2}$ percent above a year ago. Wage and salary disbursements at a rate of \$270.5 billion dipped from January; unemployment, social security and other Government transfer payments increased slightly.

Consumer spending picked up in the final quarter of 1960 because of higher purchases of autos, foods and services. While detailed estimates of consumption spending for the first quarter are not yet available, retail sales declined 3 percent between October-December and January-February.

Retail sales in February, however, rose slightly from January, nondurable goods the most. February retail sales at \$17.8 billion were $1\frac{1}{2}$ percent below a year earlier. In late February and early March auto sales picked up. Department store sales for the four weeks ending March 11, were 13 percent above a year ago.

Table 4.--Employment, hours and hourly earnings
for selected months, 1960-61

Item	Unit	1960			1961	
		Jan.	Feb.	June	Jan.	Feb.
		:	:	:	:	:
Civilian labor force: <u>1/</u>	Mil.	69.8	70.0	71.2	71.5	71.9
Employment	Mil.	66.1	66.7	67.2	66.6	66.8
Agricultural	Mil.	5.7	5.7	5.7	5.7	5.8
Nonagricultural	Mil.	60.3	60.8	61.6	60.7	60.9
Unemployment	Mil.	3.7	3.4	3.8	4.7	4.9
15 weeks and longer	Mil.	.9	.8	.8	1.4	1.4
Exhaustions of unemployment benefits	Thous.	121	125	134	193	193
Average weekly hours: <u>1/</u>						
Production workers	Hr.	40.4	40.0	39.9	38.9	39.0
Durable	Hr.	41.2	40.7	40.2	39.4	39.6
Nondurable	Hr.	39.6	39.2	39.5	38.6	38.4
Building construction	Hr.	35.1	35.8	35.6	n.a.	n.a.
Retail trade	Hr.	37.5	37.6	37.6	n.a.	n.a.
Average hourly earnings:						
Manufacturing	Dol.	2.29	2.29	2.29	2.32	2.32
Durable	Dol.	2.46	2.45	2.45	2.47	2.47
Nondurable	Dol.	2.05	2.05	2.08	2.12	2.12
Building construction	Dol.	3.32	3.33	3.34	3.47	n.a.
Retail trade	Dol.	1.79	1.79	1.82	1.84	n.a.

1/ Seasonally adjusted. n. a. Not available.
Department of Labor.

Auto Sales Low

Auto production in October 1960, the beginning of volume production on 1961 models, exceeded 600,000 units, and retail sales were up 13 percent from the July summertime low. Sales dropped off in November and December of 1960 and in January-February they were about a third below October and 22 percent below a year ago. With sales declining, stocks climbed rapidly--they have held close to a million units since November. Auto production has been reduced sharply recently, stocks remain heavy, but sales have recovered considerably in late February and early March.

Reflecting low auto and other retail sales, installment credit outstanding in January declined \$103 million, the first reduction in 2 years. Auto paper was off \$148 million.

Table 5.--Auto sales, stocks, production and prices, quarterly averages, 1960-61

Item	Unit	1960				1961
		I	II	III	IV	I
Production <u>1/</u>	1957=100:	124	120	114	110	<u>2/</u> 76
Retail sales automotive <u>1/</u>	Bil.dol.:	3.4	3.4	3.1	3.3	<u>3/</u> 2.9
Retail inventories <u>1/</u>	Bil.dol.:	4.8	5.1	5.1	5.3	<u>3/</u> 5.0
Auto paper <u>4/</u>	Bil.dol.:	16.8	17.8	18.0	17.9	<u>3/</u> 17.6
Factory sales, domestic	Number	648,936	589,991	371,294	566,421	395,075
Imports	Number	61,352	46,722	24,880	22,398	
New car prices, end of period.	1947-49=:					
	100	138.3	136.5	132.4	139.0	<u>3/</u> 139.0

1/ Seasonally adjusted. 2/ Average of January-February. 3/ January only.
4/ Credit outstanding, end-of-period. 5/ October-November average

Federal Reserve Board and Departments of Commerce and Labor.

Credit Markets Continue Easy

In early 1961, money and credit market conditions eased further, and most interest rates continued to trend lower. Federal Reserve credit policies encouraged monetary ease, and free reserves (excess reserves less member bank borrowings) ranged from \$600 million to \$700 million in January-February 1961. A year earlier member bank borrowings were about \$350 million greater than excess reserves. In early March member bank borrowings rose and free reserves declined some. The Federal Reserve system followed a policy of restraint in early 1960 when economic activity was moving upward rapidly. As economic activity slackened, monetary policies changed and by the second half of 1960 a policy of encouraging easier credit was followed. The resulting sharp decline in short term interest rates widened the spread between foreign and domestic interest rates and, in part, contributed to a large outflow of gold from the United States.

With economic activity turning down in the last half of 1960 the demand for credit also eased. Total credit extended in 1960, at \$37 billion, was down sharply from the \$61 billion in 1959. However, only about half the drop between 1959 and 1960 was due to the declining business activity; the remainder was due to a lower volume of Federal Government financing. The cash surplus of \$3.6 billion for calendar year 1960 compared with a Federal deficit of \$8.0 billion in 1959. In the final quarter of 1960, the cash surplus after seasonal adjustment dipped, reflecting a dropoff in receipts and a pickup in spending. Other sectors that contributed to reduction in credit extended were lower mortgage loan activity, a slackening in the rise in consumer credit outstanding, and reduced State and local government borrowings.

Gold Sales End

The gold outflow declined in February, and no sales have been reported through early March: The gold price in the London market has returned to the normal range and speculation in gold has been dampened. As a result, during the first months of 1961, the U. S. balance of payments improved considerably from the fourth quarter of 1960, according to the Department of Commerce. The transfer of liquid assets from the U. S. in 1960 totaled \$3.8 billion, about the same as in 1959. In the final quarter of 1960, the adverse balance of payments was the highest of the year, resulting in a decline in monetary gold holdings of the U. S. and a rise in our short-term liabilities of \$1.4 billion after seasonal adjustment. The rise from \$1.1 billion in the third quarter was accounted for by special transactions and by a substantial outmovement of capital for speculative purposes, including purchases of gold. Without these special and speculative transactions, the payments balance in the fourth quarter would have been more favorable than in the third quarter, due in part to a rising trade balance.

Farm Product Prices Steady

Prices received by farmers advanced 1 percent between mid-January and mid-February. The index at 244 (1910-14=100) was 5 percent above a year ago. Between January and February prices of hogs, eggs, soybeans, oranges, and most grains were higher. Between mid-February and mid-March, prices of most grains and oilseeds on wholesale markets rose. In contrast, prices of hogs, eggs, and chickens were down sharply.

Farm cost rates were fairly stable in the last half of 1960, but the index of prices paid including interest, taxes, and farm wage rates, advanced over 1 percent in early 1961 and at 302 equaled the previous record reached in April 1960 as the cost of interest, taxes, and farm wage rates jumped in early 1961.

FARM INCOME

Cash receipts from farm marketings totaled \$5.3 billion during the first 2 months of 1961, more than a tenth higher than January-February 1960. The increase resulted from a $4\frac{1}{2}$ -percent rise in the general level of prices received and an increase of nearly 7 percent in the volume of marketings. Receipts from livestock and products of \$3.1 billion were up 9 percent due mostly to larger marketings of cattle and calves and sharply higher prices for hogs and eggs. Receipts from crops totaled \$2.2 billion for the 2 months--about 16 percent above a year earlier. Aggregate crop prices were steady, but volume rose sharply above January-February 1960. Marketings of wheat, soybeans, corn, tobacco, and oranges were sharply higher. Cash receipts from all other food and feed grain items were pushed above year earlier levels by larger marketings. Receipts from cotton rose as higher marketings more than offset lower average prices. Receipts from vegetables dropped as lower prices more than offset larger marketings.

Cash receipts during February 1961 are tentatively placed at \$2.3 billion, 10 percent above a year earlier. This was the tenth consecutive month in which total receipts exceeded those of the same month a year earlier. Livestock receipts responded to higher prices for hogs and eggs--at \$1.5 billion they were about 6 percent above February 1960. Receipts from crops of \$0.8 billion were above a year earlier as marketings of nearly all major crops were up. In addition soybean prices had improved sharply.

LIVESTOCK AND MEAT

Prices of meat animals have not changed greatly so far this year. Price declines for hogs during the early weeks of March have about offset February gains. Market prices for fed cattle have eased off slightly but other classes are generally above levels at the beginning of the year. For the first quarter this year cattle slaughter is estimated about 3 percent larger but hogs 10 percent smaller than a year before. During the next few months cattle marketings will probably continue close to current rates but hogs and lambs will be seasonally lower.

Relatively stable fed cattle prices are in prospect this spring in contrast to a downtrending price a year earlier. January-March receipts of fed steers and heifers at 12 leading markets indicate feeders are following earlier marketing intentions fairly closely. Feed lot marketings plus a larger movement of stockers and feeders point to fed cattle sales continuing moderately above a year earlier for some months. Some seasonal price gains are likely for cows and other grass cattle with the onset of new pastures, but the gains will not likely be large.

Hog prices are expected to continue above last year's prices until about midyear. On March 1, 10 of the Corn Belt States reported 3 percent fewer hogs and pigs on hand 6 months old and older. This included about 8 percent more sows. The number 3 to 6 months old was up 6 percent and pigs under 3 months up 9 percent. Hence, hog prices this summer may average close to last summer and the fall price decline will likely be moderate. These 10 Corn Belt States plan for 5 percent more sows to farrow in June-August this year than last.

Sheep and lamb slaughter in January-March was up slightly from a year earlier and average prices to producers for lambs have shown little recovery from last fall's seasonal low. A strong seasonal uptrend is in prospect for the next several weeks as slaughter of old crop lambs, including those on feed, is largely completed. The number on feed in 7 major feeding States on March 1 was a third smaller than on January 1. The number of early lambs born in the principal early lamb States, however, is about 4 percent above a year earlier and, in general, the growth and development of early lambs has been faster than normal. Hence, sheep and lamb slaughter during the next few months will probably be close to or a little below a year earlier, but slaughter this summer may approximate the relatively high rate last summer.

Total meat production in 1961 will probably set a new high, but, due to population growth, supplies per person may be down a little from the 161.7 pounds consumed in 1960.

DAIRY PRODUCTS

The Secretary of Agriculture on March 10 raised price supports for manufacturing milk and butterfat. At \$3.40 per hundredweight for milk used for manufacturing purposes and 60.4 cents per pound for butterfat, the new level of supports represents an increase from the \$3.22 and 59.6 cents. To implement this action, the CCC purchase price for Cheddar cheese was raised 1.85 cents to 36.10 cents per pound and for spray process nonfat dry milk, 2 cents to 15.90 cents. These higher prices apply to cheese and nonfat dry milk produced on and after March 10. The purchase price for butter remained unchanged at 60.5 cents in San Francisco and Seattle and 61.25 cents in New York. The computed price for Chicago, which is the New York purchase price adjusted for the freight rate, is 60.466 cents.

Congress established the previous support level for milk and butterfat on September 17, 1960, by passing a special law. Prior to that date, manufacturing milk in 1960 had been supported at \$3.06 per hundredweight and butterfat at 56.6 cents per pound.

The higher level of price supports will mean that farmers will receive higher prices for milk and butterfat in 1961 and early 1962 than a year earlier. With milk production expected to expand, cash receipts from dairy products will show an even greater increase.

Since September of 1960 milk production has been running about 1 percent higher than a year earlier. Although February milk output at 9.4 billion pounds was 2 percent lower than in 1960, it was also 1 percent higher when adjusted for the extra day in February last year. In recent months, production per cow has failed to register the usual year-to-year increases, but as the year progresses, it may resume its upward trend of recent years. Annual gains in milk production per cow have averaged about 3 percent since 1955. As numbers of cows and heifers 2 years old and older kept for milk declined much less in 1960 than in 1959, milk flow for the year as a whole in 1961 is likely to show a greater gain than occurred last year. Output in 1960 increased to 122.9 billion pounds, from 122.0 billion pounds in 1959.

Utilization of milk for fluid milk products on a per capita basis declined somewhat in 1960 from the year before. Consumption of fluid cream declined less than the previous year. Skim milk, sour cream, and milk and cream mixtures registered per capita increases. Per capita consumption of ice cream declined to 18.4 pounds in 1960 from 18.7 pounds in 1959.

The proportion of total milk production used in manufactured dairy products was greater in 1960 than in 1959 and, except for evaporated milk, production of all of the major dairy products was higher in 1960. Although production increased, the aggregate consumption of manufactured dairy products was about the same in 1960 as in 1959. Consumption from commercial sources was higher while CCC distributions to domestic users were lower. Private and government storage stocks on January 1 were higher at the beginning of 1961 than a year earlier by roughly the equivalent of 1 billion pounds of milk. Greater stocks of butter, mostly in the hands of the Commodity Credit Corpo-

ration, and greater private stocks of cheese accounted for most of the increase in storage holdings. Purchases of butter by the CCC from the beginning of 1961 through March 21 amounted to 55 million pounds, compared with 50 million pounds during the same period of 1960. Deliveries to CCC of nonfat dry milk were about the same. No cheese has been offered to CCC this year; only a nominal amount was purchased in the entire calendar year 1960.

POULTRY AND EGGS

Poultrymen are increasing production for 1961. Marketings of broilers and turkeys are running ahead of last year, and such trends as hatchings suggest that output of poultry meat will continue above the high 1960 records all this year. Until about mid-year egg production will probably remain below 1960 because the laying flock is smaller, but after mid-year it is likely to exceed 1960 levels. The January-February hatch of egg-type chicks was up 32 percent and eggs in incubators March 1 were 26 percent above last March. This would average to a 29 percent increase for January-March chick hatchings.

Generally higher prices for eggs, broilers, and turkeys in 1960 are stimulating increased output. Production costs were probably lower than in most recent years, reflecting improvements in technology and the lower average value of poultry ration which, at \$3.32 per 100 pounds, was lower in 1960 than in any other year since 1945.

The margins that existed under those favorable conditions have already tightened somewhat in 1961, though part of the change is seasonal. If production increases continue at rates indicated by recent hatchery reports, egg and poultry prices are likely to weaken further in relation to those of last year.

Although egg prices in early March remained above those of last March, the difference was narrower than it had been in the preceding 5 or 6 months. The mid-February average price received by farmers was 39.4 cents per dozen, almost 10 cents above last year. While April prices in 1960 moved up from the months before, prices this spring are likely to be seasonally low, and in the second quarter egg prices will likely be below those of the year before.

A large hatch, with a suggestion of large supplies of eggs in the fall, provides the basis for expecting no immediate recovery in egg prices comparable with that of late March and April 1960. The hatch outruns to a considerable degree farmers' intentions in February, which were to raise 12 percent more chickens than the 339 million of 1960. Demand for eggs for storage is accordingly limited, but egg breakers and processors are in the market to meet the trade's immediate needs and to supply the purchase program of the U. S. Department of Agriculture. Since early February USDA has bought an average of over 1 million pounds of dried egg solids each week for welfare distribution.

Broiler prices reached a peak in late February--the prevailing price of 18 cents per pound in Georgia was the highest since April 1960. The mid-February U. S. average broiler price was 17.6 cents per pound, about the same as the year before, and a cent higher than January 1961. Declines which have occurred since then--prices were 15½ cents in Georgia in the second and third week of March--have not limited hatching egg settings. In the 3 weeks most recently reported hatchings were 18, 23 and 26 percent above last year. The

sale in July 1960-February 1961 of chicks for broiler hatchery supply flocks was 20 percent above a year before. As a consequence, the supply of hatching eggs and chicks will be large later this year.

USDA has started to purchase cut-up broilers for the School Lunch program. The approximately 6.8 million pounds to be purchased would account for about 2.6 million birds from the monthly production of about 150 million.

Sales of turkeys from farms are presently near a seasonal low. Mid-February prices, averaging 23.7 cents per pound, were 2 cents below February 1960. Bearish influences upon this price are the 23 percent larger turkey stocks now available (compared with March 1, 1960) and the relatively large number of turkeys, from the hatches since November, which are nearly ready for marketing. Marketings of turkey breeders may be advanced this spring if the indications of a considerably expanded turkey crop eventually limit the opportunity to sell poults. If the season-average increase in turkey production is more than 10 or 12 percent by fall, the difference between 1960 and 1961 average monthly prices is likely to widen from the 2 cent difference in February.

OILSEEDS, FATS AND OILS

Food fats and oils have shown more price action during the first half of the 1960-61 marketing year than in any comparable period since 1955-56. The general level of food fat prices has advanced over 35 percent between the beginning of the current marketing year, October 1, 1960, and mid-March 1961. Cottonseed and soybean oil prices lead the advance, closely followed by lard. While the prices of these commodities have displayed most of the increase expected for the entire 1960-61 marketing year, they will nevertheless remain firm this spring and summer, averaging well above the same period last year.

Higher food fat prices this year stem from slightly smaller domestic supplies coupled with record export and domestic demand. The rise in exports was due to increased shipments under government-financed programs and to a world shortage of food fats. Carryover stocks next October 1 are expected to be the smallest since 1957, mainly reflecting reduced stocks of soybeans (oil equivalent basis), although stocks of edible vegetable oils are likely to be down some from last year.

Total supplies of soybeans available during the second half of the 1960-61 marketing year will be somewhat smaller than in the spring and summer of 1960 and the supply situation will become tight before new crop beans become available, usually around mid-September. Soybean prices to farmers have increased sharply from \$1.94 per bushel last October to \$2.48 in February 1961, whereas last year prices were relatively stable during these months, at about \$2.00 per bushel. While most of the seasonal rise probably has occurred, prices should continue strong this spring and summer, averaging sharply above last year.

Crushings of soybeans for oil and meal in 1960-61 likely will total around 400 million bushels compared with 392 million last season. Soybean exports for 1960-61 are expected to approximate the record 141 million bushels that went out last year. These estimates indicate a carryover of about 5 million bushels on October 1, 1961, down sharply from the 23 million bushels last year and the smallest bean inventory since 1956.

Early season prospects indicate that supplies of food fats in the marketing year beginning October 1, 1961, probably will be the largest of record. Starting stocks will be down from last year but production is expected to reach a new high. Moderate increases in the output of lard, cottonseed oil, and butter are in sight whereas soybean production likely will be up sharply.

Soybean farmers' intentions as of March 1 indicate they plan to plant a record 26.4 million acres in 1961, nearly a tenth above last year and 6 percent above the previous peak in 1958. The increase reflects some diversion of land from feed grains and hay and the currently favorable soybean prices. Also, contributing to the switch to soybeans this year is the increase in the 1961 support price to \$2.30 per bushel, 45 cents above last year's rate. Plans may be more uncertain than usual this year because details of the 1961 emergency feed grain program were not known when farmers filled out their intentions reports about March 1.

Price supports for other 1961 oilseed crops were recently announced as follows: Cottonseed, \$49.00 per ton for loans on farm-stored seed (basis grade, 100), up \$11.00 per ton from 1960; flaxseed, \$2.80 per bushel, up 42 cents; and peanuts, \$221 per ton, up \$19.76 per ton (net to producers of \$28.76 per ton).

FEED

A special program for 1961 feed grains was authorized by Congress and signed into law by the President on March 22. Under this program, producers of corn and grain sorghum will be required to divert at least 20 percent of their corn and grain sorghum acreage (using 1959 and 1960 average as a base) to soil conserving crops in order to be eligible for price supports for 1961 feed grains. Those producers of barley, oats and rye who do not produce corn or grain sorghums also are eligible for price supports. Payments in cash or in kind will be made to participating farmers for the land diverted to conservation practices. For diverting acreages equal to 20 percent of their base or 20 acres, whichever is larger, producers will be eligible for a payment equal to 50 percent of their normal production on their diverted acreage based on county support price. Further reductions can be made in any amount up to 20 percent more for which farmers will receive payments based on 60 percent of their normal production. National average support rates announced by the Secretary on March 22 are as follows: Corn, \$1.20 per bushel; oats, 62 cents per bushel; barley, 93 cents per bushel and sorghum grain, \$1.93 per cwt.

Based on the March 1 prospective plantings, farmers would plant smaller acreages of corn, grain sorghum and barley in 1961, but a slightly larger acreage of oats than in 1960. The total acreage of feed grains in 1961, based on the March 1 plans, would be 149 million acres, 1.5 million less than in 1960 and 6 million below the 1955-59 average. These plans were made before the 1961 feed grain program was announced. The extent to which the new program will influence prospective acreages based on March 1 plans will depend on the extent of participation in the program would be expected to result in more substantial acreage reductions in corn and grain sorghum than indicated by farmers' March 1 plans.

Feed prices have been generally stable during the past month after advancing more than seasonally from November to February. Since November, feed

grain prices have gone up about 12 percent and high-protein feed prices about 18 percent. In the first half of March feed grain prices averaged close to the level of a year earlier while high-protein prices were 8 percent higher.

Prices of corn, sorghum grain, and soybean meal have led the general rise in feed prices. The price of No. 3 Yellow corn at Chicago has advanced about 18 cents per bushel since November, averaging about \$1.14 per bushel at Chicago in the first half of March, only slightly lower than a year earlier. The price of Milo at Kansas City also has advanced substantially since last fall. Prices of both corn and sorghum grain are nearing 1960 support prices. While prices of most feeds leveled off in February, soybean meal has continued to rise, and in the first half of March averaged \$63.00 per ton at Decatur, up \$18.00 since last fall and 13 percent above prices a year earlier.

Feed prices in February and early March continued below average in relation to prices of hogs, beef cattle, dairy products, and eggs. Favorable returns to livestock and poultry producers have helped to improve the demand for feed grain and protein feeds this year. Generally favorable returns last year are likely to result in increasing livestock production in 1961, particularly for hogs and poultry.

Through February, farmers had placed 476 million bushels of 1960 corn under price support, a record for that period and 97 million bushels more than in the same period of 1959-60. Farmers have until May 31 to place their 1960 corn under support. The quantity of 1960-crop barley placed under price support totaled 50 million bushels; oats, 20 million; and sorghum grain, 203 million bushels, all substantially above the corresponding quantities in 1959-60. The deadline for placing these grains under support was January 31.

WHEAT

March 1 intentions indicate seedings of all spring wheat at 12.2 million acres, down 2 percent from the acreage seeded in 1960 and 28 percent below the 1950-59 average. If growers carry out their intentions and yields per seeded acre this year about equal the 1956-60 average by States, a spring wheat crop of 228 million bushels would be produced. Based on conditions as of December 1, 1960, a winter wheat crop of 1,034 million bushels was forecast for 1961. A total wheat crop of 1,262 million bushels in 1961 is indicated compared with the 1960 crop of 1,363 million bushels. Winter wheat in the northern Great Plains came through the winter in generally fair condition, although moisture is needed in some areas. Considerable growth was shown in the central Great Plains, as the crop responded well to generally favorable weather. Warm temperatures in the southern Great Plains has stimulated rapid growth and condition in most districts is reported good to excellent. Fall-planted wheat generally continued to make good progress in the Far Northwest.

Cash wheat prices reached their highs for the marketing year to date in late January and early February, then gradually declined. On March 23, prices of the dominant classes and grades were down 2 cents at Minneapolis, and 8 cents at Kansas City, St. Louis, and Portland. When prices were at their highest level, they were generally at or above the support--a level at which

wheat was sold by farmers and other holders in increased quantities. Prices of hard winter and spring wheats have now declined to below the effective support and sales have fallen off substantially.

On March 23, prices were below the effective support rate as follows: No. 2 Hard Red Winter, ordinary protein, at Kansas City, at \$1.98, 8 cents, No. 1 Dark Northern Spring, ordinary protein, at Minneapolis, at \$2.10, 4 cents, and No. 2 Soft Red Winter at St. Louis, 2 cents. On the other hand, the price of No. 1 Soft White at Portland at \$1.98 was 10 cents above the effective support. Compared with a year earlier, prices at Kansas City were 13 cents lower, those at Minneapolis, 9 cents lower and at St. Louis, 5 cents lower. Prices of No. 1 Soft White at Portland, were about 1-2 cents higher than a year earlier, reflecting continued large exports from a smaller crop. Prices of hard wheats reflected continued large supplies, while those of soft red wheat, adequate supplies.

Supplies of wheat for the 1960-61 marketing year total a record 2,684 million bushels, including a carryover of 1,314 million, a crop of 1,363 million, and imports of about 7 million, mostly of feeding quality and seed wheat. Domestic disappearance in 1960-61 is expected to total about 610 million bushels and exports are now expected to reach 590 million bushels. The carry-over on July 1, 1961, therefore, will total about 1,485 million bushels, compared with 1,314 million last July 1.

FRUIT

Harvest and use of Florida oranges, especially by processors, continued seasonally large during February and early March. Remaining supplies, mostly Valencias, are somewhat smaller than a year ago. Prices for fresh market oranges at Florida shipping points, which had held steady during January and early February, increased moderately during late February, then, during early March, fell below the previous levels. But prices for Florida oranges for frozen orange concentrate continued to increase into March. Remaining supplies of the light crop of California oranges also were smaller than a year earlier. For both Florida and California oranges, prices in mid-March continued much above year-earlier levels.

Remaining supplies of Florida grapefruit in mid-March were about twice the volume of a year earlier. This increase was due mainly to continued lagging movement following a delayed start of harvest last fall. The heavy remaining volume of grapefruit will be reduced substantially during late March and April as processing of mid-season varieties of oranges declines and processors shift emphasis to grapefruit while waiting for Valencia oranges to reach sufficient maturity for orange concentrate. Prices for fresh market grapefruit at shipping points in Florida, which held fairly steady during January at higher levels than in this month of 1960, declined during February and early March to levels considerably below a year earlier.

Auction market prices for lemons in mid-March averaged somewhat above prices a year earlier. Fresh use of lemons to mid-March was about the same as a year earlier, but use by processors was much smaller. Remaining supplies were about the same as a year earlier because of the 17-percent reduction in the 1960-61 crop.

In Florida, fresh use of oranges was much smaller up to March 18 of the 1960-61 season than a year earlier, partly the result of delayed maturity of the fruit. But use by processors, especially for making frozen orange concentrate, was moderately larger. Output of frozen orange concentrate to March 11, 1961, was about 21 percent above a year earlier. Packers' stocks were up 10 percent. Both fresh use and use by processors of Florida grapefruit to March 18 were much below a year earlier. Output of canned grapefruit products, and canned orange juice, was down from a year earlier and stocks continued lighter.

Movement of apples from cold storage was somewhat lighter during February 1961 than in February 1960, that of pears was heavier. On March 1, 1961 stocks of apples continued smaller, those of pears larger, than a year earlier. Pear stocks in Oregon and Washington were heavier this year than last. Prices for most varieties and styles of packs of apples at important shipping points held fairly steady during late February and early March at levels slightly to substantially above a year earlier. Prices for the D'Anjou pear, the leading variety in storage, averaged somewhat lower at shipping points in Washington and on the principal auctions during late February and early March than a year earlier.

Harvest of the Florida winter crop of strawberries, which is slightly larger than the 1960 crop, was seasonally heavy during early March. Grower prices in mid-March averaged considerably below a year earlier. Mainly because of increased yields per acre, the early spring crop is expected to be about 23 percent larger than the 1960 crop. Most of the increase is in Louisiana, the heaviest producing early spring State. Harvest and movement of the Louisiana crop was expected to peak in late March.

COMMERCIAL VEGETABLES

For Fresh Market

Early March estimates place production of winter season vegetables for fresh market at 32.1 million hundredweight, moderately more than the 1950-59 average, but down 6 percent from last winter. Among major items, supplies of carrots, celery and cabbage have been materially below the heavy supplies of last winter; supplies of spinach also have been lighter. However, output of a number of tender items including snap beans, cucumbers, eggplant, green peppers and tomatoes has been much larger this winter than the light supplies of a year earlier. With better balance between tender and hardier types of fresh vegetables available, prices both at the farm and retail levels have averaged significantly below the relatively high prices of a year earlier. Scattered frost and high winds in early March caused some damage and delay in crop development. However, except for sweetcorn and watermelons, overall losses were relatively small.

Indicated production of early spring asparagus, lettuce and onions is substantially smaller than a year ago, and broccoli and cauliflower moderately smaller. Acreage of early spring tomatoes is about the same as last year and acreage of cabbages is a tenth larger.

Among late spring crops, acreages of asparagus and cabbage are close to those of a year earlier, but onions and watermelons are down. Acreage of spring carrots is down materially.

Planting intentions indicate acreage cuts of 3 percent for early summer cabbage, 15 percent for onions, 5 percent for watermelons, and 4 percent for late summer onions.

For Commercial Processing

Remaining supplies of canned vegetables are moderately smaller than a year ago. Supplies of some items, including asparagus, lima beans, pumpkin and squash, sauerkraut, and tomato catsup and chili sauce are larger than at this time last year. But supplies of canned green peas, sweet corn and beets are materially smaller than a year ago, and tomatoes and cucumber pickles moderately smaller. Markets for many items are firm to strong, with f.o.b. prices averaging moderately above those of a year ago. Overall supplies of frozen vegetables are substantially larger than a year ago. Frozen green peas are in fairly light supply, and mixed peas and carrots are slightly below a year ago. However, holdings of other major items are moderately to substantially larger than a year ago.

Reports indicate a slightly smaller tonnage of winter-early spring spinach for processing this year than last. March 1 intentions indicate that processors plan to plant or contract 7 percent more acreage of tomatoes for processing than last year, and 13 percent more acreage of green peas; the report indicates 9 percent more acreage of peas for canning and 20 percent more for freezing.

POTATOES AND SWEETPOTATOES

Growers planted about 2,000 fewer acres of potatoes for early spring harvest this year than last, but January intention reports indicate plans to increase late spring plantings by 3,000 acres. Yields near the average of recent years, on the indicated acreages, would result in slightly less total spring production than in 1960. But stocks of fall crop potatoes on March 1 amounted to more than 61 million hundredweight, compared with 57 million hundredweight a year earlier. Thus, supplies of potatoes available during the next few months are likely to remain slightly to moderately larger than a year earlier. Over the next 6 to 8 weeks, prices received by farmers for potatoes are likely to remain well below those of a year earlier. A diversion program, announced in early March and scheduled to end in May, is being operated in some areas to assist farmers in disposing of their large supplies.

March intentions reports indicate 7 percent more acreage of late summer and fall potatoes this year than last, with most of the increase in the Western and North Central States. Should yields, by States, be near the average of recent years, production on the intended acreage would be at least moderately larger than in 1960.

Indications are that materially less sweetpotatoes are available than a year ago. During the past 10 or 12 weeks unloads of sweetpotatoes in the 39 markets have been about a fifth lighter than a year earlier, and prices have averaged materially higher. March intentions reports indicate that growers plan to plant about the same acreage to sweetpotatoes as last year. Intended acreage with yields near the average of recent years would result in a smaller production than last year.

DRY BEANS AND PEAS

Remaining supplies of colored classes of dry edible beans appear to be moderately larger than those of a year ago, and supplies of white classes probably are the same to slightly larger. Exports of both white and colored classes so far this season have been smaller than those of a year earlier. Prices of most colored classes are substantially below the high levels of a year ago, while white classes are the same to higher than a year earlier. Though pea beans are in heavy supply, the Department of Agriculture is purchasing this class for distribution to needy families and prices are about the same as a year ago.

According to March intentions, growers plan to plant about the same acreage of dry beans as last year, with a 10 percent cut in the Northwest offset by a slight increase in the Northeast, and moderate increases in the Southwest and California. Should yields be near the 1956-60 average, production on the indicated acreage would be moderately smaller than in 1960. Dry peas are in substantially lighter supply than a year ago, and prices to growers substantially higher. Growers report intentions to plant 9 percent more acreage to peas than in 1960. Should yields be near the 1956-60 average, production of peas would be about a fourth larger than the small crop of last year.

COTTON

Consumption of cotton by domestic mills 1/ during 1960-61 probably will be around 8 million bales. This compares with about 9 million bales during 1959-60. Domestic consumption of cotton in 1960-61 probably will be about 8.1 million bales.

Domestic consumption of cotton per capita in the calendar year 1960 was about 23.6 pounds compared with 24.1 pounds in 1959. With the exception of 1959, the 1960 figure was higher than any year since 1956. Domestic consumption was higher than mill consumption in 1960 because imports of cotton textiles and picker laps in 1960 were at a record high, equivalent to about 581,000 bales, and exceeded the cotton equivalent of exports of textiles by about 85,000 bales. When mill consumption was adjusted for such imports and exports, domestic consumption of cotton per person in the United States was larger than mill consumption per capita by about 0.2 pounds. In 1959, the cotton equivalent of textile and picker lap imports was smaller than the cotton equivalent of exports of textiles by about 123,000 bales. Therefore, domestic consumption per capita in 1959 of 24.1 pounds was about 0.4 pound below mill consumption per capita.

Lower mill consumption of cotton during the current season is indicated by a high stocks-unfilled order ratio for broadwoven goods, lower rates of mill consumption for the first 6 months of the season, low values for gray goods, and large imports of textiles and picker laps. For several months all

1/ Mill consumption is defined as raw cotton opened and processed by mills. Domestic consumption includes mill consumption plus the cotton equivalent of cotton textile and picker lap imports less the cotton equivalent of such exports.

these factors have been moving in directions which indicate smaller mill consumption. In January, however, the stock-unfilled order ratio for broadwoven goods declined instead of rising--since February, 1960 it had been rising. If this ratio continues to decline during the next 2 or 3 months, a prospective increase in mill consumption in the last half of 1961 will be indicated. But if this movement is irregular and not sustained, the decline probably does not signal an increase in mill consumption of cotton.

Exports of cotton during 1960-61 are large--they probably will total about 6.5 million bales, compared with 7.2 million bales in 1959-60. Exports from August 1, 1960 through January 1961 were about 3.4 million bales--approximately 0.2 million bales larger than during the same period a year earlier.

Registrations under the payment-in-kind program as of March 17 were 5.9 million bales, about 0.1 million bales smaller than on the same date last season.

The supply of cotton in the United States is estimated at about 22.0 million bales, including a crop of about 14.3 million, a starting carryover of around 7.6 million, and imports and a city crop of around 200,000 bales. The carryover at the end of the current season is expected to be about the same as the carryover at the start of the season.

Stocks of cotton held by the Commodity Credit Corporation on March 10 were about 3.4 million bales, approximately 2.5 million bales smaller than a year earlier. CCC-held stocks have declined rapidly since the announcement of the 1961 price support level on February 21. On February 17, CCC-held stocks were about 4.6 million bales.

The price support level for the 1961 crop of upland cotton has been announced at a minimum of 33.04 cents per pound for Middling 1-inch cotton at average location. This compared with the Choice A rate for the 1960 crop of 32.42 cents per pound and the Choice B level of 26.63 cents per pound. The minimum sales price for Choice A cotton purchased by CCC from the 1960 crop was 110 percent of the Choice B loan rate, 29.29 cents per pound for Middling 1-inch at average location, plus carrying charges. Carrying charges were 0.1 of a cent per pound for October 1960 plus 0.2 of a cent for each succeeding month through July 1961.

At the same time of the support level action, the Department announced that the export payment rate during the 1961-62 marketing year would be 8.5 cents per pound for cotton shipped between August 1, 1961 and July 31, 1962. The export payment rate for the 1960 crop is 6 cents per pound.

The average 14 spot market price for Middling 1-inch cotton on March 20 was 31.11 cents per pound. This compares with 30.45 cents a month earlier and 32.03 cents a year earlier. Market prices have tended to increase since the announcement of the price support level for the 1961 crop.

Disappearance of extra-long staple cotton is expected to be slightly larger during 1960-61 than 1959-60. The cause is larger consumption during the current season which probably will be around 150,000 bales compared with

137,000 during the preceding season. Because of the larger disappearance, the carryover on August 1, 1961 will probably be slightly smaller than the 154,400 bales of 1960.

WOOL

Activity in the domestic wool industry declined moderately during 1960 to levels below 1959 but above the average of 1955-59. Domestic consumption of wool declined less than mill consumption as the import balance of foreign trade in wool products increased. Imports of raw wool decreased. Average prices received by producers were less. Domestic production of shorn wool increased. Woven fabric production declined as an effort was made to keep inventories of gray and finished goods low. At the end of the year, unfilled orders also were down, but the ratio of stocks to unfilled orders was rising, probably indicating a further moderate decline in mill consumption. Mill activity usually increases seasonally in the first half of the year. Due to conditions at the end of 1960, the rise in mill activity in the first half of 1961 may be less than seasonal; therefore, mill consumption of wool fiber in 1961 may be smaller than in 1960.

The average price received by growers for shorn wool in the open market for the 1960-61 marketing year will be about the same as the 43.2 cents per pound received for the 1959-60 season. The 10-month (April 1960-January 1961) average price received by growers was 43.2 cents per pound compared with 42.8 cents for the same period a year earlier. The incentive level for the 1961-62 marketing year is continued at the 62-cent level of the first 6 years of the program.

With mill activity slowing down, sales of domestic wools were limited during the last 6 months and prices remained relatively stable. Demand continued strong for the medium wools, and, as a result, the price differential between fine and medium wools has continued to narrow. Shearing of the new clip is underway in the Southwest and in parts of the fleece wool States. But due to mill conditions, shorn wool from the new clip may remain in producers' hands longer than they did in the previous 2 years, as buyers and mills wait for price and mill use trends to develop. Domestic shorn and pulled wool totaled 300 million pounds in 1960, 2 percent more than 1959. Shorn wool output totaled 266.6 million pounds, pulled wool 33.6 million pounds. The clean equivalent of this output was 145.2 million pounds in 1960 compared with 142.8 million pounds in 1959. With sheep numbers about the same, 1961 shorn wool production can be expected to be about as in 1960.

Domestic consumption of wool--mill consumption plus the foreign trade balance of wool products--in 1960 totaled 531.6 million pounds, 4 percent less than 1959, but 9 percent greater than the 1955-59 average. The decrease in domestic consumption of wool is less than the decrease in mill consumption due to the continued increase in the imports of wool products. Mill consumption of raw wool declined 6 percent in 1960--the decrease was 7 percent for apparel wool, 5 percent for carpet wool. The raw wool equivalent of imports of wool products exceeded those of exports by 127.4 million pounds, a record high. This import trade balance is 4 percent higher than 1959 and 42 percent above the 1955-59 average.

Production of woven wool fabric (except felt) during 1960 totaled 283.3 million linear yards, 9 percent less than the same period a year earlier. Non-apparel items decreased more than apparel fabric. Production of men's and boys' items were down substantially while those of women and children were only slightly below 1959. Output during the fourth quarter of 1960 was 12 percent less than the third quarter and 15 percent less than the corresponding quarter a year earlier.

World wool prices have moved gradually upward in recent weeks to the highest levels of the current season, but 8 to 15 percent below a year earlier. With prevailing supply and demand conditions, there is little likelihood of wide fluctuations in price movements during the next year.

The Foreign Agricultural Service has estimated world sheep numbers in 1960 at 983 million head, 1 percent above 1959. The Commonwealth Economic Committee recently estimated world sheep numbers, eliminating the nonwooled species, at 917 million head or 2 percent more than its estimate for 1959. World wool production in 1960-61 is now estimated by FAS at 5,565 million pounds, grease basis (3,200 million pounds, clean), 1 percent less than 1959-60 but 7 percent greater than the average of the 5 previous seasons. Due to adverse weather conditions in some of the major producing countries, world sheep numbers and production may be less in 1961-62 than in the current season.

World wool consumption in 1960 probably surpassed the previous high of 3,157 million pounds, clean content in 1959. Many segments of the world wool industry were still increasing production from the 1957-58 recession; these increases outweighed declines in other major manufacturing countries. In view of the declines in mill activity in some of the countries during the latter half of 1960, the outlook for 1961 is for world wool consumption to be at approximately 1960 levels. Consumption in the 10 chief consuming countries in 1960 is estimated by the Commonwealth Economic Committee at 1,998 million pounds, clean content, 2 percent more than in 1959.

TOBACCO

Marketing of 1960 crop tobacco, except for the Maryland and Puerto Rican crops, have been completed. The Puerto Rican crop, planted late in the year, is harvested and sold in the first half of the following year. Auctions for 1960 Maryland are scheduled to open April 25 and to close around mid-July. Sales are also made on the Baltimore hogshead market, where about a tenth of the crop is marketed. The 1960 crop of Maryland will receive Government price support at an average level of 50.8 cents per pound.

The total supply of Maryland tobacco for the current marketing year is 1 percent less than in 1959-60, and the lowest in 10 years. The 1960 crop is estimated to be moderately larger than the previous year's, but the gain is more than offset by the reduction in carryover stocks.

At auctions already concluded for the 1960 crops, the price averages for flue-cured, Kentucky-Tennessee fire-cured and Virginia sun-cured were highest on record, while price averages for burley, Virginia fire-cured, and dark air-cured were second highest ever received. Quantities going under Government loan generally were smaller than a year ago. There are indications that prices for most cigar tobacco--the bulk of which is purchased at the "barn door" during the fall and winter--are near, or lower than, last year's levels.

On February 24, growers of fire-cured (types 21-23) and dark air-cured (types 35-36), voting in two separate referendums, by overwhelming majorities approved continuation of marketing quotas on their 1961, 1962 and 1963 crops.

According to the March 1 report on prospective acreage for 1961, the indicated acreage of flue-cured at 694,300 is equal to that harvested in 1960. Acreage allotments for most farms were the same as last year. The 1961 acreage indicated for burley is 315,900--up nearly 20,000 acres from 1960. Farm allotments for burley were increased 6 percent, the first general increase since the sharp cutback in 1955.

The March 1 intended acreage for fire-cured and dark air-cured were 5 percent and 3 percent larger than harvested last year. Since allotments for 1961 are practically the same as for 1960, it appears that allotments will be more fully planted.

Indicated 1961 acreage for cigar binder in the Connecticut Valley is about a fifth less than harvested in 1960. Allotments for most farms were reduced 10 percent. Manufactured sheet binders have replaced natural leaf binders on many brands of cigars in recent years, and this has sharply reduced requirements for leaf binders, particularly the Connecticut Valley types. For the Wisconsin binder types, the March 1 intended acreage is 4 percent above 1960.

Ohio cigar filler acreage this year is indicated at 7 percent above last year, while Pennsylvania filler acreage may be down by 3 percent.

The March 1 intended acreage for shade-grown wrapper in the Connecticut Valley and Georgia-Florida are 2 percent and 7 percent lower, respectively, than last year's harvested acreage.

By legislation enacted early last year, price supports for 1961 crops of the eligible tobaccos will be based on the applicable 1959 level, adjusted in proportion to the change between (1) the 1959 parity index (the index of prices paid by farmers, including interest, taxes and farm wage rates), and (2) the average of the indexes for 1958, 1959 and 1960. (For Maryland, the 1959 level is considered to be the level that would have been in effect had a marketing quota applied to that crop.) This ratio of change in prices paid by growers results in no change in 1961 support levels from the 1959 (or 1960) levels.

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